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ANÍBAL ACEVEDO VILÁ  
GOVERNOR  
COMMONWEALTH OF PUERTO RICO

July 18, 2008

WC Docket No 05-337  
CC Docket No 96-45

Received & Inspected

JUL 23 2008

FCC Mail Room

The Honorable Kevin J. Martin  
Chairman  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

**Re: Insular Specific Support Mechanisms for Puerto Rico**

Dear Chairman Martin:

With the approval of the Federal Telecommunications Act of 1996, the Congress of the United States directed the Federal Communications Commission ("FCC") to ensure that residents of "insular" areas be assured of a modern and efficient telecommunications infrastructure. The principles of the Universal Service direct the Joint Board and the Commission to base their policies on quality and rates, access to advanced services, access in rural and high cost areas, equitable and nondiscriminatory contributions, and specific and predictable support mechanisms among others. Puerto Rico needs funding mechanisms to address its needs as a high cost insular area. Now, more than ever, the FCC should address this issue as specifically mandated by Congress.

My administration is concerned that the above stated principles have not been sufficiently addressed by the FCC. Even though these principles were established fourteen years ago, the FCC has yet to establish a specific, predictable and efficient mechanism to address the special needs of rural, insular and high cost areas. The current situation has left the people of the Commonwealth of Puerto Rico without an adequate mechanism to ensure that they have adequate access to telecommunications and information services. Puerto Rico, as an island, is particularly affected by the lack of investment in telecommunications infrastructure and the slow rate penetration of such services not only because of our insularism but because most of the people of Puerto Rico live in rural and high-cost areas.

It is a well known fact to those of us who have lived in Puerto Rico that the urban areas of the Island have a well-equipped telecommunications infrastructure. Our telecommunications infrastructure has greatly benefited from the funds provided to carriers

LA FORTALEZA

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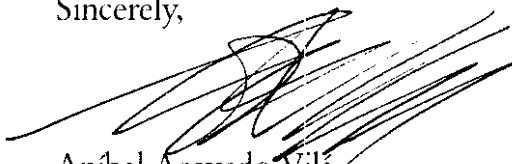
Honorable Kevin J. Martin  
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through the Universal Service Fund and the policies that the Commission has implemented to address the general needs of Puerto Rico. Nevertheless, our main concern is that the specific needs of rural and high cost areas, where many Puerto Ricans live, have not been properly addressed. As has been stated by the FCC, "the low penetration rates in Puerto Rico demonstrate that this goal [of serving insular areas] is not being met and that the Commission could be doing more to help the residents of Puerto Rico." See NPRM FCC 05-205 ¶ 33.

In 2005, this Commission recognized that Puerto Rico, American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the U.S. Virgin Islands are properly included in the definition of insular areas. See NPRM FCC 05-205 ¶ 38. This recognition was the result of a request by the Puerto Rico Telephone Company, Puerto Rico's incumbent carrier, for an Insular-Specific Support Mechanism for Puerto Rico. The Commission also recognized that "[b]ecause of the unique challenges in providing telephone service in Puerto Rico, we believe that a special support mechanism, in combination with the Commission's low income program, will help to combat the problem of low subscribership in Puerto Rico." See id. ¶ 33.

Finally, as the Commission has previously stated, there appears to be a correlation between the recent decline in Puerto Rico's subscribership rates and the reduction of Puerto Rico's high-cost support. The lack of specific mechanisms for Puerto Rico and the recent action by the FCC to "cap" USF funds and eliminate Interstate Common Line Support could dramatically decrease subscribership and access to telecommunications services. In the face of the FCC's proposals that would reduce alternate universal service funding to Puerto Rico, I urge the Commission to take effective actions to implement insular area-specific support mechanisms so as to allow the people of Puerto access to the same telecommunications services that people elsewhere in the U.S. receive.

Sincerely,



Aníbal Acevedo Vilá

Cc: Commissioner Michael J. Copps  
Commissioner Jonathan S. Adelstein  
Commissioner Deborah Taylor Tate  
Commissioner Robert M. McDowell

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GOVERNOR

COMMONWEALTH OF PUERTO RICO

July 18, 2008

The Honorable Kevin J. Martin  
Chairman  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

**Re: Universal Service Fund in Puerto Rico – WC Docket No. 05-337**

Dear Chairman Martin:

The influx of capital from the Universal Service Fund (USF) to telecommunications companies in Puerto Rico has allowed the Island to have access to a more modern and efficient telecommunications network at a reasonable cost. This improvement in telecommunications infrastructure may now be in jeopardy because of initiatives being considered by the Federal Communications Commission ("FCC"). Specifically, the limits imposed earlier this year to "cap" the amount of payments that competitive carriers may receive in each state greatly endangers Puerto Rico's access to a better infrastructure and will hinder the rate of penetration of telecommunications services. As you may know, Puerto Rico lags well behind the continental U.S. in terms of fixed line and broadband penetration. There is concern that the initiatives currently being considered by the FCC will increase this gap between the people of Puerto Rico and those on mainland United States.

Another initiative which may very well have a negative effect on Puerto Rico's economy and telecommunications sector is the proposal to deprive competing carriers of "interstate common line support" (ICLS). Depriving Puerto Rico of this fund would seriously reduce the amount of federal universal service funding for Puerto Rico due to the fact that most of the funds that Puerto Rico carriers receive from the USF come from ICLS.

By eliminating the equal support rule through the elimination of this support mechanism, the FCC will effectively leave the people of Puerto Rico in a worse position. This would be inconsistent with the mandate from the United States Congress, through the Telecommunications Act of 1996, to secure lower prices and higher quality services for

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American telecommunications consumers and encourage the rapid deployment of new telecommunications technologies. Though the FCC, in NPRM 05-205, seemed to acknowledge the need for a non-rural, insular area support mechanism to address Puerto Rico's low penetration rates, infrastructure challenges and high costs, no such universal service funding mechanism has been instituted. Capping payments and reducing ICLS funding, without providing any alternative support mechanism, will have far-reaching negative impact on our citizens' access to telecommunications services.

This action the FCC is considering has the potential of removing over \$750 million in support from the Puerto Rico telecommunications system over the next five years just when investment in telecommunications infrastructure is the most critical on the island. Before adopting this regulation, I believe the FCC has an obligation to do a thorough financial and economic analysis of the impact of such a decision would have on Puerto Rico residential and business telecommunications service consumers. The Commonwealth has a nationally recognized initiative to attract and create economic opportunities in the biotechnology industry. The success of this initiative is highly dependent on a stronger, more vibrant and technologically-advanced telecommunications system. For the FCC to propose such drastic measures in withdrawing USF support in Puerto Rico without a thorough economic impact statement is short-sighted and could limit the Commonwealth's ability to reach its economic potential.

Sincerely,



Anibal Acevedo Vila

Cc: Commissioner Michael J. Copps  
Commissioner Jonathan S. Adelstein  
Commissioner Deborah Taylor Tate  
Commissioner Robert M. McDowell